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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/610,828	07/06/2000	Kurt C. McCracken	12016-002001	5424

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FISH & RICHARDSON PC
225 FRANKLIN ST
BOSTON, MA 02110

EXAMINER

CHANG, SABRINA A

ART UNIT	PAPER NUMBER
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3625

DATE MAILED: 01/05/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/610,828

Applicant(s)

MCCRACKEN ET AL

Examiner

Sabrina Chang

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 15 October 2003.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-28 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-28 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____.
- 4) ☐ Interview Summary (PTO-413) Paper No(s). _____.
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____.

DETAILED ACTION

Response to Amendment

Applicant's amendments to claims 1, 7, 16 and 22 and the addition of claims 26-28 have been considered.

Response to Arguments

Applicant's arguments with respect to claims 1-28 have been considered but are moot in view of the new ground(s) of rejection.

Examiner concedes that the use of an REIT in rejection of the applicant's invention was improper. Specifically, examiner notes that investors cannot capitalize on an IRS Section 1031 exchange unless they are trading one property for another "like-kind" one – i.e. an investor cannot exchange a property, tax-free, for shares in an investment entity.

However, one can, without tax consequence, *contribute* property to a limited liability partnership (LLP) or limited liability company (LLC) in exchange for shares in the investment entity. This is the basic nature of such an investment entity. Such entities are widely used by investors as a means of tax minimization.

The entities' articles of organization, within certain state and federal regulations, define LLCs and LLPs and their structures. As such, the general procedures of such entities are merely a reflection of design choice by their governing administrators and managers. The processes detailed by the applicant's claims are no more than practices regularly undertaken by the average artisans skilled in the administration and management of LLCs and LLPs. The invention is not novel nor is it non-obvious. A more detailed rejection follows below.

Claim Rejections - 35 USC § 101

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35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-15 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

The simple mention of "the assistance of a machine" is not sufficient in establishing the connection between a technological art and the completion of a basically abstract process of "exchanging, enhancing and redeeming" in an investment entity.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1-28 are rejected under 35 U.S.C. 103(a) as being unpatentable over the real estate investment entity described in the article "Real Estate Managers Sing Praises of New Financial Hybrid" (Galperin, Ron. June 27, 1995. The Los Angeles Times).

Limited Liability Companies and Limited Liability Partnerships are popular for their tax advantages [See articles McDonough, Shangraw, Blair, Calderon, Hotch, Ward]. In order to obtain shares in such an investment pool, one can contribute cash, real property, a promissory note, services or any type of binding obligation to contribute such articles [See article Ward] (acquiring one or more properties from one or more investors through tax-advantaged

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transactions, at least one of the properties being acquired from one of the investors in exchange for an interest in an investment entity).

Galperin discloses that LLCs and LLPs are well known in the art as a means of pooling resources for real estate investment. Specifically, Galperin discusses an LLC that invests in distressed commercial and multifamily apartment buildings (investment profile comprises income producing real estate, real estate is comprised of properties where at purchase the price of the property divided by a total rent obtained from such property is low relative to other properties located in a surrounding area, residential properties for which rents are below market for a neighborhood proximate to such properties, properties inherently comprising inner-city residential properties) and fixes them up (enhancing value of at least one of the properties by physical improvements or refurbishment) or puts them in better financial shape (increases value by improved management of the property).

Galperin's system inherently includes real estate portfolio management. Proper portfolio optimization and risk minimization is essential to the management of *any* investment portfolio. The average investor relies on managers/administrators for their expertise and ability in deciding how and when to purchase or sell assets. The manager uses any number of factors in deciding how to execute transactions – including setting a performance goal, assessing the value of existing assets, their projected growth, value of potential assets, etc.

Galperin does not explicitly disclose that the real estate investment entity is managed using an automated system that records and analyzes properties held and optimizes the portfolio – by determining which properties fall outside the investment profile and transactions and which are suitable for disposal.

Automated optimization of investment portfolios are commonly used both in all types of asset/liability allocation. Such programs are widely implemented in securities portfolio management (see article Skelton and Patent Champion et al.), mortgage portfolio management (see articles Feshbach and Sinderman), and miscellaneous asset portfolio management (see Patent McClelland). Automated management and reporting systems are also widely used in the real estate business (see Sinderman).

It was known at the time of the invention that merely providing an automatic means to replace a manual activity which accomplishes the same result is not sufficient to distinguish over the prior art, *In re Venner*, 262 F.2d 91, 95, 120 USPQ 193, 194 (CCPA 1958). For example, simply automating the steps of setting a portfolio goal, assessing the value of a investment entity's properties, and managing the entity's assets according to that goal gives you just what you would expect from the manual step as shown in Galperin. In other words there is no enhancement found in the claimed step of automation. The claimed step of optimization using a computer only provides automating a widely practiced manual activity. A computer can simply iterate the steps faster.

It would have been obvious to a person of ordinary skill in the art at the time of the invention to automate the optimization of the portfolio using a computer because this would speed up the process of evaluating current and potential assets and conducting necessary transactions.

Galperin does not explicitly disclose the deployment of a plan of redemption of interests of investors where the redemptions occur at a value based upon the characteristics of one or more of the properties.

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The structure of distributions granted to investors by an LLC or LLP are dictated by the entity's operating agreements. Such distributions can be limited or granted in *any* manner as the administrator/manager sees fit. In that the distribution structure is merely one of design choice, the particular manner of distribution does not result in an improvement to the system or have an unpredictable result.


Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Sabrina Chang whose telephone number is 703 305 4879. The examiner can normally be reached on 8:30 am - 5:30 pm Mon.- Fri..

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Jeffrey Smith can be reached on 703 308 3588. The fax phone number for the organization where this application or proceeding is assigned is (703) 872-9306.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703 308 1113.

SC


Jeffrey A. Smith
Primary Examiner